

Unclaimed Deposits in the Indian Banking Sector and the Role of RBI
written by Akshay Ramesh | February 13, 2020



We all are well aware that the Reserve Bank of India, since its establishment in 1935, has repeatedly proven that it is the only potent body that has held the Indian financial market's stability at its clutches. It is an obvious known fact that the responsibility of safeguarding the bank deposits of the Indian citizens lies upon the shoulders of the RBI.

In this regard, it is notable that the RBI had formulated a scheme known as Depositor Education and Awareness Fund ("DEA Fund") Scheme in the year 2014. This scheme envisages the duty of RBI towards the valuable deposits made by the banking customers across the country. At the same time, the scheme altogether has stiffly backboneed the citizen's banking rights.

On the other hand, it can be said that this scheme has added its contribution to the promotion of Banking Rights Education in our country as it aims at the creation of public awareness with respect to the Depositors' Rights.

Unclaimed

Deposits in the Indian Banking Sector

Since the

recent decades, many cases with respect to the unclaimed deposits / inoperative

accounts that are inactive have been recorded in the Indian Banking Sector.

Any

account with no transactions for two years is considered as a dormant account.

Wherefore, the RBI, in order to protect the interest of the public, has directed the banks to display the list of unclaimed deposits on their respective websites. However, those banks which do not maintain any websites have the provision of displaying on their respective branches.

Why Depositor

Education and Awareness Fund Scheme, 2014?

The very

purpose of Depositor Education and Awareness Fund Scheme is to consolidate the overall amounts from all the dormant accounts in the form of the fund called DEA

Fund. As per the terms of the scheme, the banks are ought to calculate the cumulative balances in all such accounts and transfer the amount to the DEA Fund on the last working day of the subsequent month. However, the most interesting part of this scheme is that the banks are obligated to transfer the

said amounts from the dormant accounts to the DEA Fund along with the interest

accrued thereupon.

The rate of

interest payable on interest-bearing deposits transferred to the DEA Fund was initially 4% per annum which has been changed to 3.5% per annum with effect from July 2018. Therefore, as per the said scheme, the banks are ought to update the list of unclaimed deposits / inoperative accounts which are inactive/inoperative for ten years or more on a monthly basis.

The RBI, to

establish the DEA Fund, is empowered by Section 26A of the Banking Laws (Amendment) Act, 2012. On May 24, 2014, the RBI notified the establishment of DEA

Fund in the Official Gazette.

How the DEA

Fund Scheme, 2014 is utilized?

The fund has

been created and all banks have been advised to transfer the balances in inoperative deposit accounts that have not been claimed or operated for a period of ten years or more or any deposit or any amount remaining unclaimed for more than 10 years to the DEA Fund. The depositors, however, are entitled to claim from the bank his deposit or operate his account after expiry of ten years, even after the unclaimed deposit funds have been transferred to the DEA Fund.

The bank is liable to pay the deposit amount to the depositor and claim a refund of such amount from the DEA Fund.

As a governing

authority of this scheme, the RBI has provided in the said scheme for the establishment of a committee to administer and manage the fund in an appropriate manner.

Also, the most

highlighting part of this scheme is the awareness methodologies adopted to build up a strong educational stand amongst the banking customers which includes the conducting awareness programs, organizing seminars, symposia, etc., including research activities.

Present Status

of Unclaimed deposits in India

It was noted

that at the end of the previous year, the total unclaimed deposits in banking,

as well as the insurance companies, had reached around INR 32,000 crore wherein,

the commercial banks had around INR 14, 578 crore as unclaimed deposits. However, it was noted that the overall figure of this amount had increased when compared to the previous years' i.e., 2017-18. On the other hand, the general insurance firms had held around INR 17, 887 Crore whereas Life Insurance Corporation (LIC) alone has an unclaimed amount of INR 12, 892 crore and the State Bank of India holds around INR 2,156 crore. However, another scheme just like that of the DEA Fund Scheme, 2014 known as Senior Citizens' Welfare Fund (SCWF) Rules was introduced in 2015. "As per the Rules, entities having unclaimed amounts for more than 10 years are ought to transfer the amounts to the Senior Citizens' Welfare Fund (SCWF) Rules (SCWF) on or before 1st March every year," for promoting the welfare of senior citizens.

Conclusion

It was noticed that the scheme has added its support to the promotion of Banking Rights Education in our country. It is because the scheme aims at the creation of public awareness with respect to the Depositors' Rights and the most Interesting part of this scheme is the awareness rehearses accepted to build up a solid educational stand amongst the banking customers which includes the conducting awareness programs, organizing seminars, conferences, etc., including research activities.

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